

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)
TAYLOR COUNTY RURAL ELECTRIC) CASE NO. 2023-00147
COOPERATIVE CORPORATION FOR A)
GENERAL ADJUSTMENT OF RATES)

DIRECT TESTIMONY
AND EXHIBITS OF
JOHN DEFEVER, CPA

ON BEHALF OF THE
OFFICE OF THE ATTORNEY GENERAL OF
THE COMMONWEALTH OF KENTUCKY

LARKIN & ASSOCIATES, PLLC
LIVONIA, MICHIGAN

AUGUST 18, 2023

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1 **I. INTRODUCTION**

2

3 **Q. What is your name, occupation, and business address?**

4 A. My name is John Defever. I am a Certified Public Accountant, licensed in the
5 State of Michigan. I am a senior regulatory consultant in the firm of Larkin &
6 Associates, PLLC, with offices at 15728 Farmington Road, Livonia, Michigan.

7

8 **Q. Please describe the firm Larkin & Associates, PLLC.**

9 A. Larkin & Associates, PLLC is a Certified Public Accounting and Regulatory
10 Consulting Firm. The firm performs independent regulatory consulting primarily
11 for public service/commission staffs, and consumer interest groups (attorneys
12 general, public counsels, public advocates, consumer counsels, etc.). Larkin &
13 Associates, PLLC, has extensive experience in the utility regulatory field as
14 expert witnesses in over 600 regulatory proceedings including numerous
15 electric, gas, telephone, and water and sewer utilities.

16

17 **Q. Have you prepared an exhibit describing your qualifications and
18 experience?**

19 A. Yes. I have attached Appendix I, which summarizes my experience and
20 qualifications.

21

22 **Q. On whose behalf are you appearing?**

23 A. Larkin & Associates, PLLC was retained by the Office of the Attorney General
24 (“Attorney General”) of the Commonwealth of Kentucky. Accordingly, I am
25 appearing on behalf of the Attorney General.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is to review and make recommendations on
3 specific issues that affect Taylor County Rural Electric Cooperative
4 Corporation's ("Taylor County RECC" or "Company") requested increase in
5 rates.

6
7 **Q. Please summarize your testimony.**

8 A. Based on my recommended adjustments, the Commission should authorize an
9 increase of no more than \$3.108 million.¹ Below is a table summarizing my
10 adjustments.

11

Amount of Increase Requested by TC RECC \$ 6.377

Recommended Adjustments to TC RECC's Calculated Revenue Requirement:	Adjustment	
	Amount	Schedule
Other Revenues	\$ (0.110)	1.16
ROW Expense	\$ (2.317)	1.05
Employee Awards	\$ (0.011)	1.17
Director Expenses	\$ (0.120)	1.09
Health Care Costs	\$ (0.230)	1.12
Depreciation Expense	\$ (0.135)	1.04
Meter Testing Expense	\$ (0.090)	1.18
Legal Expense	\$ (0.022)	1.19
Non-recurring GPS Project cost	\$ (0.025)	1.20
401(k) Expense	\$ (0.184)	1.11
Rate Case Expense	\$ (0.027)	1.13
Total Recommended Adjustments to TC RECC's Requested Increase	<u>\$ (3.270)</u>	
Recommended Maximum Base Rate Increase for TC RECC	<u>\$ 3.108</u>	

12

13 It should be noted that silence on any issues should not be interpreted as
14 acceptance of the Company's proposals.

¹ My calculations are based on a TIER of 1.91. Although the Company's schedules have a column reflecting a TIER of 2.00, the Company's actual request was based on an OTIER of 1.85. My use of a TIER of 1.91 as an equivalent for the Company's OTIER of 1.85 is based on Taylor County RECC's response to the Attorney General's First Request for Information ("Attorney General's First Request"), Item 17(c).

1 **II. OPERATING REVENUES AND EXPENSES**

2
3 **A. Other Electric Revenues**

4
5 **Q. What amount has the Company included in the adjusted test year for**
6 **Other Electric Revenues?**

7 A. The Company has included \$615,847 in its revenue requirement.²

8
9 **Q. How does this compare to historic amounts?**

10 A. As can be seen from the chart below, Other Electric Revenues in 2020 and
11 2021 were much lower than the 2018, 2019, and the 2022 amounts.³

12
OTHER ELECTRIC REVENUES

DESCRIPTION	2018	2019	2020	2021*	2022
DOU CO TEL-ANNUAL POLE RENT		0.00	22,344.25	23,319.50	24,296.75
SOUTH CENTRAL ANNUAL POLE RENTAL		0.00	7,938.98	7,938.98	7,938.98
KIH JOINT USE		0.00	9,783.84	6,567.44	3,306.16
TARTER GATE ANNUAL POLE RENT	606.82	352.50	352.50	-271.46	352.50
POLE ATTACHMENT PENALTY	259.14	248.09	250.98	288.10	422.51
WINDSTREAM JOINT USE USE	267,065.75	265,363.99	239,643.24	239,878.24	242,674.74
BLUEGRASS NETWORK ANNUAL POLE RENT		254.32	254.32	583.44	583.44
POLE RENT - CUMBERLAND CELL	8,046.60	8,046.60	8,046.60	8,046.60	8,046.60
POLE RENT - NEW WAVE	4,457.88	4,457.88	4,457.88	4,457.88	4,457.88
POLE RENT - COMCAST	10,577.58	10,627.68	10,627.68	10,852.23	10,928.97
POLE RENT - ACCESS	2,795.28	2,795.28	2,795.28	2,795.28	2,795.28
POLE RENT- MEDICACOM	1,173.00	1,173.00	684.25		
PENALTIES - BILLING	441,401.10	443,095.63	127,847.03	293,425.84	361,768.86
TAXES - SALES TAX	600.00	600.00	600.00	600.00	550.00
RECONNECT & COLLECTION FEE	22,485.50	20,305.00	2,880.00	14,535.00	53,731.00
RETURN CHECK CHARGE	7,706.13	6,375.00	2,375.00	2,600.00	3,629.48
METER TEST FEE	270.00	190.00	35.00	40.00	80.00
SERVICE CHARGE	225.00	240.00	35.00	190.00	635.00
TOTAL OTHER ELECTRIC REVENUE	767,669.78	764,124.97	440,951.83	615,847.07	726,198.15

13 *NO ADJUSTMENTS WERE MADE TO OTHER ELECTRIC REVENUE IN THE TEST YEAR.

² Taylor County RECC's response to the Attorney General's First Request, Item 97.

³ *Id.*

1 **Q. Did the Company explain why the 2020 and 2021 amounts were lower than**
2 **the other years?**

3 A. Yes, the Company's response to the Attorney General's Second Request for
4 Information ("Attorney General's Second Request"), Item 37 indicated that
5 pursuant to Case No. 2020-00085 the utilities were ordered to waive late
6 payment charges and could not perform disconnections.⁴

7

8 **Q. Did the Company make any proforma adjustments to Other Electric**
9 **Revenues in the adjusted test year?**

10 A. According to Taylor County RECC's response to the Attorney General's First
11 Request, Item 97, no proforma adjustments were made.

12

13 **Q. Why not?**

14 A. The Company stated:

15 In 2021, the Commission lifted the order to waive all late payment
16 charges and to cease disconnections for non-payment. Taylor County
17 RECC also expects penalties and reconnection/collection fees to level
18 off once members adjust to the enforced policies of past due bills.⁵
19

20 **Q. Is the Company's request appropriate?**

21 A. No. The Company's request is based on a year which reflects decreased
22 revenues impacted by the pandemic. As shown in the chart above, 2021 Other
23 Electric Revenues decreased during the pandemic, but rebounded in 2022.

24

25 **Q. What would be a more appropriate method of estimating this expense?**

⁴ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus Covid-19* (Ky. PSC Mar. 16, 2020).

⁵ Taylor County RECC's response to the Attorney General's Second Request, Item 37(f).

1 A. As the 2022 Other Electric Revenues have recovered to pre-pandemic levels
2 and are the most known and measurable, a forecast based on 2022 Other
3 Electric Revenues would be more appropriate.

4

5 **Q. What is your recommended adjustment?**

6 A. The recommended adjustment is to use the 2022 Other Electric Revenues for
7 the adjusted test year, resulting in an increase of \$110,000 as shown on Excel
8 Spreadsheet, Exhibit JD-1, Schedule 1.16 (\$726,198 - \$615,847).

9

10 **B. Right of Way (“ROW”) Expense**

11

12 **Q. Please describe the Company’s request.**

13 A. The Company has requested a proforma increase of \$3,279,658 for ROW
14 expense.⁶

15

16 **Q. Are there any concerns with the Company’s request?**

17 A. Yes. The concern is whether the Company would expend the requested ROW
18 funds if approved by the Commission.

19

20 **Q. Why is it questionable whether the Company would spend the requested
21 amount?**

22 A. Although the Company’s spending for this expense was above the budgeted
23 amounts in the last 2 years, it was underbudget in 7 of the last 11 years.⁷

⁶ Direct Testimony of John Wolfram (“Wolfram Testimony”), Exhibit JW-2, Schedule 1.05.

⁷ Taylor County RECC’s response to the Attorney General’s First Request, Item 126 and Corrected Response, Item 126.

1 Importantly, the Company admits that spending for this expense has been
2 reduced intentionally in prior years.⁸ The Company acknowledges that prior to
3 the test year, the Company was not completing its circuit trimming plan.⁹
4 Instead, ROW was “only trimmed on an as-needed basis.”¹⁰ As ROW spending
5 has been reduced in multiple prior years the Company may make similar cuts
6 in future years.

7
8 The size of the ROW expense increase must also be noted. The Company’s
9 request of \$4,330,556¹¹ per year is significantly more than the Company has
10 spent in any prior year on this expense. The chart below illustrates this extreme
11 increase.¹²

ROW EXPENSE INCLUDING CAPITALIZED AMOUNTS	
2012	\$649,411
2013	\$631,755
2014	\$723,393
2015	\$629,948
2016	\$743,578
2017	\$751,166
2018	\$821,423
2019	\$844,426
2020	\$852,331
2021	\$1,196,793
2022	\$1,426,755
2023 ytd	\$2,301,511
Adj Test Year	\$4,330,556

⁸ Direct Testimony of Jeffrey R. Williams Testimony (“Williams Testimony”), at 5.

⁹ *Id.* at 8.

¹⁰ *Id.* at 9.

¹¹Wolfram Testimony, Exhibit JW-2, Schedule 1.05.

¹² Taylor County RECC’s response to the Attorney General’s First Request, Item 126; Taylor County RECC’s response to the Attorney General’s Second Request, Item 51.

1 As shown, prior spending has never even approached the requested amount.
2 As the Company has reduced this expense when annual ROW budgets were
3 under \$1,000,000, it cannot be assumed that spending will be at the budgeted
4 level when the budget is over \$4 million.

5

6 It should also be noted that if the Commission approves this request, the
7 Company will continue to receive the full \$4.3 million every year until rates are
8 reset, regardless of whether or not the funds were used for ROW. Even if the
9 funds were used for ROW in the first year, it should not be assumed that they
10 would not be reduced after that.

11

12 **Q. What is your recommended adjustment?**

13 A. Due to the Company's record of ROW spending, it would be inappropriate to
14 allow this entire large increase. I recommend basing the adjusted test year
15 ROW expense on a three-year average of spending (2021-2023).¹³ This results
16 in a reduction of \$2,317,454 to the Company's proforma cost of \$4,330,556. as
17 shown on Excel Spreadsheet, Exhibit JD-1, Schedule 1.05. I also recommend
18 that the Company record as a regulatory liability, the annual amounts spent
19 below the Commission authorized amount to either return to customers in the
20 next rate case or to offset any overspending in the interim period until the next
21 rate case.

22

¹³ I estimated the full year of 2023 based on the year-to-date information provided in Taylor County RECC's response to the Attorney General's Second Request, Item 51.

1 I also recommend that the Company work with other electric utilities to develop
2 regional bids for ROW management contracts as the Commission suggested
3 in its Order in South Kentucky Rural Electric Cooperative Corporation's ("South
4 Kentucky RECC") recent rate case.¹⁴

5

6 **C. Employee Awards**

7

8 **Q. Has the Company requested recovery of costs related to employee
9 awards?**

10 A. Yes, the Company has requested \$10,915 for employee awards in the adjusted
11 test year.¹⁵

12

13 **Q. Please describe these awards.**

14 A. The Company's request includes costs for a Christmas party, picnics,
15 Christmas gifts, service awards, and retirement gifts.¹⁶

16

17 **Q. Should these costs be recovered from ratepayers?**

18 A. No. These costs provide little or no benefit to ratepayers. As such, the costs
19 should be the responsibility of the Company.

20

21 **Q. What is your recommended adjustment?**

¹⁴Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (Ky. PSC. June 30, 2022), Order at 30.

¹⁵ Taylor County RECC's response to the Attorney General's Second Request, Item 32.

¹⁶ Taylor County RECC's response to the Attorney General's First Request, Item 62.

1 A. I recommend the removal of all awards costs, a reduction of \$10,915 as shown
2 on Excel Spreadsheet, Exhibit JD-1, Schedule 1.17.

3

4 **D. Director Expenses**

5

6 **Q. Please describe the Company's request.**

7 A. The Company has included \$122,483 in the adjusted test year which includes
8 expenses for meeting costs for the Directors, per diems, and retainer fees.¹⁷

9

10 **Q. Is this treatment consistent with the prior rate case?**

11 A. No. The Company has included retainer fees which were not in the last rate
12 case. The Company states that the retainer fees replace director health
13 expense.¹⁸ However, the director health expense was excluded in the prior
14 case.¹⁹ In addition, the Company removed director per diem expenses in its
15 prior rate case, but has included those costs in this case.²⁰

16

17 **Q. Do you agree with the inclusion of these costs?**

18 A. No. The Company has not justified this increase to ratepayers.

19

20 **Q. What is your adjustment?**

¹⁷ Wolfram Testimony, Exhibit JW-2, Schedule 1.09.

¹⁸ Taylor County RECC's response to Commission Staff's Second Request for Information ("Commission Staff's Second Request"), Item 17(b).

¹⁹ Case No. 2012-00023, *Application of Taylor County Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC Mar. 26, 2013)

²⁰ *Id.*; Application, Exhibit 9; Wolfram Testimony, Exhibit JW-2, Schedule 1.09.

1 A. The recommended adjustment is to disallow the Directors' per diem and
2 retainer fees. The result is a reduction of \$120,400 as shown on Excel
3 Spreadsheet, Exhibit JD-1, Schedule 1.09.

4

5 **E. Health Care Cost**

6

7 **Q. What amount has the Company included for health insurance premiums?**

8 A. The Company has included \$1,154,739 in the adjusted test year for health care
9 premiums.²¹ However, this amount is not consistent with the recent ruling in
10 Case No. 2021-00407, which states:

11 Health Insurance Contributions. South Kentucky RECC provides 100
12 and 79 percent of single and family health insurance premiums,
13 respectively. South Kentucky RECC provided the adjustment necessary
14 to remove employer health insurance benefit contributions in excess of
15 the Bureau of Labor Statistics' 2021 average for single and family
16 coverage of 78 and 66 percent, respectively. The Commission finds that
17 a revenue requirement reduction of \$307,481 is appropriate to limit
18 employer insurance benefit contribution rates to a more reasonable
19 level.²²

20

21 **Q. What is your adjustment?**

22 A. The adjustment is to hold the Company to the standards set in Case No. 2021-
23 00407, and to prevent the ratepayers from paying for excessive benefit
24 amounts through the electric rates. The Company was asked to provide the
25 adjustment necessary to reduce Taylor County RECC's employee insurance
26 premiums to the Bureau of Labor Statistics' average in the Commission Staff's
27 Second Request, Item 19. This results in a reduction of \$262,274 as shown on

²¹ Wolfram Testimony, Exhibit JW-2, Schedule 1.12

²²Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (Ky. PSC. June 30, 2022), Order at 9.

1 Excel Spreadsheet, Exhibit JD-1, Schedule 1.12. (Increasing the Company's
2 proforma reduction of \$32,758 by \$229,516).

3
4 **Q. Do you have any other concerns?**

5 A. Yes. While reviewing the Company's filing, it should be noted that the summary
6 tab in Taylor County RECC's revenue requirement schedules does not appear
7 to be linked to the correct cell.²³ The Company's requested Total Health Care
8 Costs proforma adjustment should be a reduction of \$17,143 (\$15,615 -
9 \$32,758). For purposes of reconciling my adjustments with the Company's
10 requested revenue requirement, I did not correct this formulaic error in its
11 revenue requirement schedules, but recommend the correction be made.

12
13 **F. Depreciation Expense**

14
15 **Q. Have you made an adjustment to depreciation expense?**

16 A. Yes. The Company's request includes an extension of depreciation expense
17 to December 2022 which results in an increase of \$461,018.²⁴ However, the
18 rate base is calculated as of December 2021.²⁵ This is a mismatch and is
19 inappropriate. For example, a corresponding adjustment would need to be
20 made to accumulated depreciation.

21
22 **Q. What is your adjustment?**

²³ Wolfram Testimony, Exhibit JW-2, page 2, Ref Schedule # 1.12 Health Care Costs, Column Expense (3) to Schedule 1.12.

²⁴ Wolfram Testimony, Exhibit JW-2, Schedule 1.04.

²⁵ Application, Exhibit 15.

1 A. The recommended adjustment is to calculate depreciation on the same date as
 2 rate base, December 2021. The result is a decrease to Taylor County RECC's
 3 proforma depreciation expense adjustment of \$134,735 (\$461,018 - \$326,283)
 4 as shown on Excel Spreadsheet, Exhibit JD-1, Schedule 1.19.²⁶

5

6 **G. Legal Expense**

7

8 **Q. What amount has the Company included in the adjusted test year for**
 9 **Legal Expense?**

10 A. The Company has included \$65,026 in the adjusted test year (excluding the
 11 legal expense included in rate case expense).²⁷

12

13 **Q. How does this amount compare to other years?**

14 A. As can be seen, the adjusted test year legal expense is significantly higher than
 15 3 of the past 5 years.²⁸

16

	2018	2019	2020	2021	2022
FROST BROWN TODD, LLC	41,789	21,283	10,165	56,198	9,201
SPRAGENS & HIGDON PSC	21,412	10,406	8,882	8,229	4,922
ROBERT M SPRAGENS, JR	600	600	600	600	500
HONAKER LAW OFFICE PLLC					10,724
DINSMORE AND SHOHL LLP					8,851
GOSS SAMFORD, PLLC					430
TOTAL LEGAL EXPENSE	63,800	32,289	19,647	65,026	34,627

17

18

19

20

²⁶ Taylor County RECC's response to the Commission Staff's Second Request, Item 13.
²⁷ Taylor County RECCs response to the Attorney General's Second Request, Item 55.
²⁸ *Id.*

1 **Q. Did the Company explain the reason for the increase in the test year?**

2 A. Yes, the Company's response to the Attorney General's Second Request, Item
3 55 stated:

4 Frost Brown Todd LLC was Taylor County RECC's labor attorney in
5 2021. Union negotiations started in November 2020 but were not
6 resolved until June 2021, causing increased legal fees in 2021.
7
8

9 **Q. Is the Company's test year amount reasonable?**

10 A. No. As can be seen, the costs for this expense have fluctuated annually and
11 the test year amount is the highest of the last five years. For this cost, a five-
12 year average would be more appropriate as it would smooth out high and low
13 years while being recent enough to be relevant.
14

15 **Q. What do you recommend?**

16 A. I recommend that a five-year average of \$43,078 be used. It should be noted
17 that this amount is higher than the 2022 amount of \$34,627. This results in a
18 reduction of \$21,948 to legal expense as shown on Excel Spreadsheet,
19 Exhibit JD-1, Schedule 1.19.
20

21 **H. Non-Recurring Cost**
22

23 **Q. Has the Company included any non-recurring costs in the adjusted test**
24 **year?**

25 A. Yes. The Company included \$24,600 for preliminary work for a GPS System
26 Project.²⁹
27

²⁹ Taylor County RECC's response to the Attorney General's First Request, Item 93; Taylor County RECC's response to the Attorney General's Second Request, Item 54.

1 **Q. Should this cost be removed from the adjusted test year?**

2 A. Yes, as the cost is non-recurring it should be removed. This is a reduction of
3 \$24,600 as shown on Excel Spreadsheet, Exhibit JD-1, Schedule 1.20.
4

5 **I. Meter Testing**
6

7 **Q. What amount has the Company included in the adjusted test year for
8 meter testing expense?**

9 A. The Company has included \$116,833 based on testing an average of 3,847
10 meters annually.³⁰
11

12 **Q. Is this level of expense appropriate?**

13 A. No. The Company stated that its Sample Meter Testing Program was approved
14 in 2021.³¹ The Sample Meter Testing Program would test only 1,000 meters
15 annually at \$30,370 per year.³² The Company estimated the potential savings
16 over eight years to be \$691,707, or \$86,483 annually.³³
17

18 **Q. Are any other costs related to the meter program included in the adjusted
19 test year?**

20 A. Yes. The Company has included \$3,150 for consulting fees to develop a plan
21 for the Sample Meter Program.³⁴ The Company stated that it spent \$1,588 in

³⁰Taylor County RECC's response to the Attorney General's Second Request, Item 64.

³¹Taylor County RECC's response to the Commission Staff's First Request, Item 1; *See Electronic Application of Taylor County Rural Electric Cooperative Corporation for Approval of Sample Meter Testing Program for Single-Phase Meters* (Ky. PSC Sept. 22, 2021).

³² Taylor County RECC's response to the Attorney General's First Request, Item 130.

³³ *Id.*

³⁴ *Id.*

1 2022, but does not expect any further consulting costs in 2023, 2024, and
2 2025.³⁵

3
4 **Q. What do you recommend?**

5 A. I recommend that the annual sample meter testing expense of \$30,370 be
6 reflected in the test year instead of the \$116,833. This is a known and
7 measurable change that should be reflected in the revenue requirement. I also
8 recommend removal of \$3,150 of consulting fees from the test year as the
9 Company does not expect to incur any further related consulting fees. This
10 results in a reduction of \$89,613 to the adjusted test year (\$86,483 + \$3,150),
11 which is shown on Excel Spreadsheet, Exhibit JD-1, Schedule 1.18.

12
13 **J. 401(k) Expense**

14
15 **Q. Has the Company requested an increase to 401(k) expense?**

16 A. Yes. The Company has changed its contribution from 10% of full compensation
17 with employees contributing 3% of gross wages to 16% of employee base
18 compensation with a requirement that employees contribute 3% of their base
19 pay.³⁶ The change was approved by the Board of Directors and the union. An
20 amendment to the union contract was made to reflect these 401(k)
21 modifications, and the changes were kept the same for non-union employees
22 as well.³⁷ The result of this change is in an increase of \$183,588.³⁸

23

³⁵ *Id.*

³⁶ Taylor County RECC's response to the Commission Staff's First Request, Item 32.

³⁷ Williams Testimony at 6 – 7.

³⁸ Wolfram Testimony, Exhibit JW-2, Schedule 1.11.

1 **Q. Did the Company provide any studies to support this increase?**

2 A. No. When asked to provide studies that the Company relied upon to justify the
3 16% employer contribution rate the Company replied that no such study
4 exists.³⁹

5

6 **Q. Is an employer contribution of 16% comparable to other Kentucky
7 utilities?**

8 A. Although the Company was asked for a detailed explanation whether a 16%
9 employer contribution was comparable to other Kentucky utilities, the Company
10 provided the following vague statement:

11 Many cooperatives offer multiple retirement plans. Taylor County RECC
12 only has one retirement plan which is a defined contribution plan. Many
13 cooperatives have a pension plan, particularly the R&S plan as provided
14 by NRECA. Based upon Taylor Country RECC's understanding of the
15 plans provided, 16% would be comparable.⁴⁰
16

17 This response is insufficient. While it states that the Company has determined
18 that 16% is appropriate, it does not provide the necessary information to
19 determine whether the Company's decision is correct.

20

21 **Q. Did the Company provide any other reasons for the requested increase?**

22 A. Yes, the Company discussed the 401(k) increase as part of a benefit package
23 needed to improve morale, safety, and employee retention.⁴¹ However, these
24 claims were also unsupported.

25

³⁹ Taylor County RECC's response to the Attorney General's Second Request, Item 61(c).

⁴⁰ *Id.* at Item 61(b).

⁴¹ Williams Testimony at 7.

1 **Q. Has the Company provided sufficient support for this requested**
2 **increase?**

3 A. No. The Company admitted that it had no studies to support its request and its
4 assertions were unsupported. It is the Company's obligation to support its
5 request and for this expense that has not been done.

6

7 **Q. What is your recommended adjustment?**

8 A. I recommend the disallowance of the entire increase to 401(k) expense, a
9 decrease of \$183,588 as shown on Excel Spreadsheet, Exhibit JD-1, Schedule
10 1.11.

11

12 **K. Rate Case Expense**

13

14 **Q. Please describe the Company's proposed adjustment for rate case**
15 **expense.**

16 A. The Company is proposing to amortize \$160,000 of rate case expenses over
17 three years, or \$53,333 annually.⁴²

18

19 **Q. Do you agree with this approach?**

20 A. No. While I am aware the Commission has previously approved three-year
21 amortizations of rate case expense, it is important to note that the Company will
22 collect \$53,333 each year until rates are reset. The Company's last general rate
23 case was filed on August 30, 2012, and the one before that was filed on May

⁴² Wolfram Testimony, Exhibit JW-2, Schedule 1.13.

1 9, 1997.⁴³ While the Company stated that it expects to file more frequent rate
2 cases⁴⁴ it also acknowledged that it does not know when it will file its next rate
3 case.⁴⁵

4
5 **Q. What do you recommend?**

6 A. I recommend amortizing rate case expense by six years which is generous
7 considering the last two rate cases were both filed more than ten years apart.
8 This is a reduction to the Company's request of \$26,666 as shown on Excel
9 Spreadsheet, Exhibit JD-1, Schedule 1.13.

10
11 **Q. Does this conclude your testimony?**

12 A. Yes. However, I reserve the right to supplement my testimony up receipt of
13 additional relevant information.

⁴³ Case No. 2012-00023, *Application of Taylor County Rural Electric Cooperative Corporation for an Adjustment of Rates* (KY. PSC Mar. 26, 2013); Case No. 1997-00124, *Application of Taylor County Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC Nov. 4, 1997).

⁴⁴ Taylor County RECC's response to the Attorney General's First Request, Item 20.

⁴⁵ *Id.* at Item 117.

QUALIFICATIONS OF JOHN DEFEVER

John Defever, CPA is a senior regulatory consultant with Larkin & Associates. As such, Mr. Defever is responsible for the review and analysis of regulatory filings and the preparation of testimony, discovery requests, briefs, schedules, exhibits and reports. Mr. Defever also assists with the annual audit of a Michigan Railroad Company. Mr. Defever has been employed with the firm of Larkin and Associates since 2010.

Mr. Defever has performed work in the field of utility regulation on behalf of public service commission staffs, state attorneys general and consumer groups concerning regulatory matters before regulatory agencies in Alaska, California, Connecticut, District of Columbia, Florida, Hawaii, Iowa, Maine, Maryland, Massachusetts, Mississippi, Oregon, New Hampshire, and Vermont.

Mr. Defever received a Bachelor of Business Administration, Major: Accounting from Eastern Michigan University and an Associate in Applied Science at Schoolcraft College. Mr. Defever is a member of the Michigan Association of Certified Public Accountants and maintains continuing professional education in accounting, auditing, and taxation.

Partial list of utility cases participated in:

Docket No. 10-02-13	Aquarion Water Company of Connecticut Connecticut Department of Utility Control
Docket No. 10-70	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 10-12-02	Yankee Gas Services Company Connecticut Department of Utility Control
Docket No. 11-01	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Case No. 9267	Washington Gas Light Company Maryland Public Service Commission

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Case No. 9286	Potomac Electric Power Company Maryland Public Service Commission
Docket No. 13-06-08	Connecticut Natural Gas Corporation Connecticut Public Utility Regulatory Authority
Docket No. 13-90	Fitchburg Gas & Electric Light Company Massachusetts Department of Public Utilities
Docket No. 8190	Green Mountain Power Company Before the Vermont Public Service Board
Docket No. 8191	Green Mountain Power Company Alternative Regulation Before the Vermont Public Service Board
Case No. 9354	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 13-135	Western Massachusetts Electric Company Massachusetts Department of Public Utilities
Docket No. 14-05-06	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 13-85	Massachusetts Electric Company and Nantucket Electric Company D/B/A/ as National Grid Massachusetts Department of Public Utilities
Case No. 9390	Columbia Gas of Maryland, Inc. Maryland Public Service Commission
Docket No. 15-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-149	Western Massachusetts Electric Company Massachusetts Department of Public Utilities

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Docket No. 8710	Vermont Gas Systems Inc. Before the Vermont Public Service Board
Docket No. 8698	Vermont Gas Systems Inc. Alternative Regulation Before the Vermont Public Service Board
U-15-091 / U-15-092	College Utilities Corporation Golden Heart Utilities, Inc. Regulatory Commission of Alaska
Docket No.16-06-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 15-05-42	Southern Connecticut Gas Company Connecticut Public Utilities Regulatory Authority
Docket No. 20160251-EI	Florida Power & Light Company Florida Public Service Commission
Docket No. 20170141-SU	KW Resort Utilities Florida Public Service Commission
Application No. A.16-09-001	Southern California Edison California Public Utilities Commission
Case No. 18-0409-TF	Vermont Gas Systems, Inc. Vermont Public Utility Commission
Docket No. 17-10-46	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 2017-0105	Hawaii Gas Company Hawaii Public Utilities Commission
Docket No. 18-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority

QUALIFICATIONS OF JOHN DEFEVER

Docket No. A.17-11-009	Pacific Gas & Electric California Public Utilities Commission
Docket No. 18-05-16	Connecticut Natural Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-05-10	Yankee Gas Connecticut Public Utilities Regulatory Authority
Docket No. 18-11-12	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 18-07-10	SJW Group and Connecticut Water Service Connecticut Public Utilities Regulatory Authority
Docket No. RPU-2019-0001	Interstate Power and Light Iowa Utilities Board
Docket No. 2018-0388	Kona Water Service Company Hawaii Public Utilities Commission
Docket No. DE 19-057	Public Service Company of New Hampshire New Hampshire Public Utilities Commission
Application No. A.19-08-013	Southern California Edison Public Utilities Commission
Docket No. D.P.U. 19-120	NSTAR Gas Company d/b/a Eversource Energy Massachusetts Department of Public Utilities
Docket No. 2019-00333	Maine Water Company – Skowhegan Division Public Utilities Commission
Docket No. D.P.U. 19-113	Massachusetts Electric Company & Nantucket Electric Company Each d/b/a National Grid Massachusetts Department of Public Utilities

QUALIFICATIONS OF JOHN DEFEVER

Docket No. 20-03-01	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-03-02	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-12-30	Connecticut Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-08-03	The Connecticut Light and Power Company & The United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 20-120	National Grid Massachusetts Department of Public Utilities
Docket No. 21-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 21-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Case No. 21-887-EL-AIR	Duke Energy Ohio Public Utilities Commission of Ohio
Application No. 21-06-021	Pacific Gas & Electric 2023 GRC California Public Utilities Commission
Docket No. 22-07-01	Aquarion Water Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority
Docket No. 22-057-03	Dominion Energy Resources Utah Public Service Commission

QUALIFICATIONS OF JOHN DEFEVER

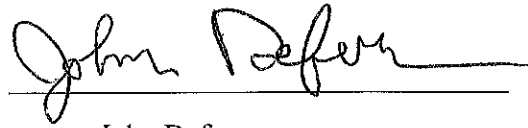
Docket No. 22-22	NSTAR Electric Massachusetts Department of Public Utilities
Docket No. 22-08-08	United Illuminating Company, Connecticut Public Utilities Regulatory Authority
Formal Case No. 1169	Washington Gas Light District of Columbia Public Service Commission
Case No. 22-900-EL-SSO	Dayton Power & Light, d/b/a AES Ohio Public Utilities Commission of Ohio
Docket No. 23-01-03	Connecticut Light & Power Company Connecticut Public Utilities Regulatory Authority
Docket No. 24-01-04	United Illuminating Company Connecticut Public Utilities Regulatory Authority

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STATE OF MICHIGAN)

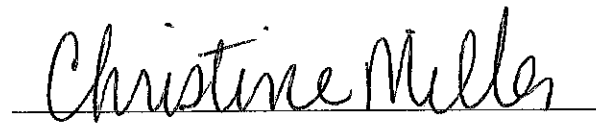
COUNTY OF WAYNE)

John Defever, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.



John Defever

Sworn to and subscribed before me on this
18th day of August 2023.



Notary Public

CHRISTINE MILLER
NOTARY PUBLIC, STATE OF MI
COUNTY OF WAYNE
MY COMMISSION EXPIRES Nov 8, 2028
ACTING IN COUNTY OF *Wayne*